MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2015 / 2016

BAC 1044 PRINCIPLES OF ACCOUNTING

(All Sections / Groups)

30 MAY 2016
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This examination paper consists of **FOUR (4)** pages with **FOUR (4)** Questions only.

2. Answer **ALL** questions. All questions carry equal marks and the distribution of marks for each question is indicated.

3. Write your answers in the answer booklet provided.

Question 1

The adjusted trial balance of Pro-Clean Enterprise appears below:

Pro-Clean Enterprise
Adjusted Trial Balance
May 31, 2016

	RM Debit	RM Credit
Cash	4,900	
Accounts Receivable	2,300	
Supplies	1,800	
Equipment	14,000	
Accumulated Depreciation—Equipment		3,000
Accounts Payable		3,300
Unearned Service Revenue		6,000
Owner's Capital		14,600
Owner's Drawings	2,500	
Service Revenue		4,500
Supplies Expense	700	
Depreciation Expense	2,700	
Rent Expense	2,500	
	31,400	31,400

Instructions

Using the information from the above adjusted trial balance:

a) Prepare an income statement for the month ending 31 May, 2016.

(6 marks)

b) Prepare an owner's equity statement for the month ending 31 May, 2016.

(5 marks)

c) Prepare a balance sheet as at 31 May, 2016.

(12 marks)

d) Explain the accrual basis of accounting.

(2 marks)

(Total 25 marks)

Continued...

Question 2

Mydea Corporation's comparative balance sheets are presented below:

MYDEA CORPORATION
Comparative Balance Sheets

	RM 2016	RM 2015
Cash	18.700	22.700
Accounts receivable	24.700	22.300
Investments	25.000	16.000
Equipment	59.000	70.000
Accumulated depreciation	(14.500)	(10.000)
Total	112.900	121.000
Accounts payable	13.600	11.100
Bonds payable	6.000	30.000
Common stock	50.000	45.000
Retained earnings	43.300	34.900
Total	112.900	121.000

Additional information:

i) Net income was RM17.700. Dividends declared and paid were RM9.300.
ii) Equipment which cost RM11.000 and had accumulated depreciation of RM2.000 was sold for RM4.000.
iii) All other changes in noncurrent account balances had a direct effect on cash flows, except the change in accumulated depreciation.

Instruction

a) Prepare a statement of cash flows for 2016 using the indirect method.

(22 marks)

b) Compute free cash flow.

(3 marks)

(Total 25 marks)

Continued...

Question 3

Part 1

Noble Company has budgeted net income of RM175.000 and net sales of RM625.000 in 2017. The company's budgeted average total assets for 2016/2017 is RM4.000.000. Its budgeted average common stockholders' equity for the period is RM2.340.000.

Calculate the following ratios:
(a) Profit margin
(b) Return on assets
(c) Return on common stockholders' equity

(2 marks each x 3 = 6 marks)

Part 2

The following items were taken from the budgeted financial statements of Rug, Inc., over a four-year period:

Item	2018	2017	2016	2015
Net Sales	RM900.000	RM650.000	RM600.000	RM500.000
Cost of Goods Sold	580.000	460.000	420.000	400.000
Gross Profit	RM320.000	RM190.000	RM180.000	RM100.000

Instructions

Using horizontal analysis and 2015 as the base year, compute the trend percentages for net sales, cost of goods sold, and gross profit. Explain whether the trends are favorable or unfavorable for each item.

(15 marks)

Part 3

For each of the ratios listed below, indicate by the appropriate code letter, whether it is a liquidity ratio, a profitability ratio, or a solvency ratio.

Code:
L = Liquidity ratio
P = Profitability ratio
S = Solvency ratio

____ 1. Price-earnings ratio
____ 2. Asset turnover
____ 3. Accounts receivable turnover
____ 4. Earnings per share
____ 5. Current ratio
____ 6. Debt to assets ratio
____ 7. Times interest earned
____ 8. Inventory turnover

(4 marks)

(Total 25 marks)

Continued.....

Question 4

Part 1

Erickson, Inc. makes student book bags that sell for RM20 each. For the coming year, management expects fixed costs to be RM225,000. Variable costs are RM14 per unit.

Instructions

(a) Compute break-even sales in ringgits using the contribution margin technique.

(5 marks)

(b) Compute margin of safety ratio assuming actual sales are RM937,500.

(4 marks)

(c) Compute the sales in ringgits required to earn net income of RM150,000, using the contribution margin technique.

(4 marks)

Part 2

The beginning cash balance is RM15,000. Sales are forecasted at RM800,000 of which 80% will be on credit. 70% of credit sales are expected to be collected in the year of sale. Cash expenditures for the year are forecasted at RM475,000. Accounts Receivable from previous accounting periods totaling RM9,000 will be collected in the current year. The company is required to make a RM15,000 loan payment and an annual interest payment on the last day of every year. The loan balance as of the beginning of the year is RM90,000, and the annual interest rate is 10%.

Instructions

Compute the excess of cash receipts over cash disbursements in the current year.

(12 marks)

(Total 25 marks)

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